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SUBJECT: Climate Change: Xiamen in the Forefront of Mitigation and Adaptation Efforts in South China

11. (SBU) Summary and Comment: In the battle against climate change, Xiamen in Fujian province is increasingly a focal point for efforts by government, NGOs and businesses in south China. The city government has created a new, unique institution to assess the impact of climate change; NGOs have found success at raising awareness and creating public-private partnerships; and businesses have identified Xiamen as a potential pilot city for energy-efficient building and construction and Clean Development Mechanism (CDM) projects. Questions remain on how much effort should be focused on mitigation versus adaption and where financing will come from. However, with significant political will and the support of a variety of local and international actors, Xiamen may achieve its goal of becoming an eco-city model in China. It also presents a useful target for U.S. government and business engagement on climate change, alternative energies and energy efficiency. End Summary and Comment.

City Government: Assessing the Impact

12. (SBU) Xiamen, a coastal city in Fujian, has become a leader among south China cities in addressing climate change issues across multiple sectors, including government agencies, NGOs, and private businesses. On the government front, Xiamen established a new institute in 2008 dedicated to assessing the impact of climate change. Named the Xiamen Climate Change Inspection and Assessment Center, it is China's only municipally funded climate assessment institute. The Center is managed by the Xiamen Municipal Meteorological Bureau and reports to the municipal government on a quarterly basis about changing trends in the city's weather patterns. Analysis from the Center will be integrated into local policies on real estate development, urban planning and construction, and the agricultural sector. Su Mingfeng, Head Engineer at the Center, asserted that the municipal government has actively committed to shifting toward a low-carbon economy model. The local government's current objective for 2010 is to reduce the use of standard coal equivalent to 0.56 ton per RMB 10,000 GDP, down from 0.875 ton in 2007.

13. (SBU) Xiamen is well positioned to assess the early impact of climate change due to its coastal location. According to Chen Huang, Director General of the Xiamen Meteorological Bureau, there are already several signs of climate change affecting Xiamen: severe weather, increased pollution, and rising sea-levels. Typhoons have become more active in Xiamen and its surrounding areas. For

decades, typhoon season has generally occurred between June and September. In more recent years, typhoons have begun showing up earlier (March and April) and lasting longer (through November and even December). Other weather patterns, such as storms in the city, drought in the rural areas and changes in temperature, are becoming more severe. In addition, the Center has recorded a significant number of "hazy days," suggesting that air pollution may have an increasingly harmful impact on the local environment. Over the next fifty years, Xiamen can also expect to see rising sea-levels, said Chen. Center officials pointed out that climate change is not only impacting the weather directly, but also public health and local GDP indirectly.

NGOs: Creating Partnerships

¶4. (U) Meanwhile, Environmental NGOs in Xiamen have had notable success in both raising awareness and in forming public-private partnerships to combat climate change. Xiamen-based environmental NGO Green Cross has held two forums this year promoting low-carbon economies, energy efficiency in building and urban planning, and Clean Development Mechanism (CDM) projects. Co-sponsored by the Xiamen Science and Technology Association, the US-based Environmental Defense Fund, and the China Civil Climate Action Network (an organization funded by the Berlin-based Heinrich Boll Foundation and consisting of 21 domestic and international NGOs), the first forum of the year, the "Climate Change and Low-Carbon Economy Forum," was held in April as a kick-off event for a series of low carbon-focused meetings that Xiamen plans to host in 2009. The meetings aim to provide a platform for local government, enterprises, and the public to engage on policy issues, technology

transfer and potential collaboration. During the second climate change and CDM seminar held this month as part of Xiamen's Energy Efficient Building Material Fair, an expert from one international NGO said Xiamen's potential success in combating climate change will be driven not by enterprise, but by NGOs who are focused on the issue of climate change itself, not on stakeholders or profits.

¶5. (SBU) The Climate Group, a UK-based NGO which also participates in Xiamen's climate change forums, said that it plans to develop 15 to 20 low-carbon cities in China, providing opportunities to spread clean energy technology, increase "green" investment and "green" jobs, and reach national energy efficiency and emissions targets. According to Wang Chengbo, Director of City Leadership - Greater China at The Climate Group, the organization has already talked with government officials and enterprises in seven to eight cities to foster the concept, including Xiamen. (Note: The Climate Group plans to launch energy-efficiency projects in cities throughout the Pearl River Delta, including Guangzhou, Shenzhen, Zhuhai, Dongguan, and Foshan. End Note).

Business: Incubating New Projects

¶6. (U) A coalition of actors that participated in Xiamen's climate change forums - including CHORA, a London-based urban planning and architectural firm; Casper Vandertak, a Beijing-based Clean Development Mechanism (CDM) consulting firm; and Xiamen University, - is promoting Xiamen as a climate change "incubator" in China. With local government support, the partners are supporting projects that would turn Xiamen into a pilot city for energy-efficient building and construction, including the promotion of solar photovoltaic usage, and to increase the number of local CDM projects, an arrangement under the Kyoto Protocol that permits industrialized countries with greenhouse gas emission reduction commitments to implement emission reduction projects in developing countries. Professor Raoul Bunschoten, co-founder of CHORA and a member of the German National Energy Commission, has been asked by Xiamen officials to develop the Xiamen City Energy Plan addressing urban planning and renewable energy usage; CHORA is working with local Xiamen University students to carry out this task.

Energy Savings: Adaptation vs. Mitigation

17. (SBU) Several experts at the June forum suggested that local officials pay more attention to adaptation to the effects of climate change rather than mitigation efforts. They highlighted energy savings and increased building efficiency as measures that would help the city deal with the effects. According to Lin Boqiang, Director of the Center for Energy Economic Research of China, Xiamen University, carbon dioxide emissions without a doubt will increase in the short and medium terms due to economic development and increasing urban populations. He suggested that local officials prioritize adapting local practices and behavior to reduce vulnerability and to adjust to future climate change costs. Lin, an economist who has been tasked by the National Development and Reform Commission (NDRC) to work on China's energy strategy for the 12th Five-year Plan, pointed out that China was still in its urbanization and industrialization phase, which will lead to a steady increase in the nation's energy demand. Lin said that he was not optimistic about China's ability to reduce its CO₂ emissions; China instead should focus on increasing energy efficiency as a more viable short-term solution. Through his work on the 12th Five-year Plan, he will recommend energy savings as the best route to increasing energy security.

Challenge: Project Financing

18. (SBU) Revamping Xiamen into an energy-efficient city cannot happen without financing, and in the current market funding has not been easy to come by. According to The Climate Group representative, there are four practical routes to financing a "new carbon economy": an energy service companies (ESCO), which offer

enterprises design, financing, and project management services for energy-saving projects that cut client costs; private equity (PE); carbon funds, which invest donor money into renewable or energy efficient projects and repay donors via carbon offsets; and the Clean Development Mechanism (CDM). Several speakers at this month's climate change and CDM seminar urged Xiamen to take greater advantage of CDM financing a sustainable source of funding by establishing more local projects.

19. (U) While Xiamen is at the forefront of climate change awareness in south China, the city falls behind Pearl River Delta metropolises Guangzhou and Shenzhen in CDM implementation. Currently, Xiamen has one registered CDM project: the Dongfu Landfill Gas-to-Energy Project. This methane recovery and utilization project was approved in April, with an estimated 94,084 annual Certified Emission Reductions (CERs), which will be attributed to Japan. Fujian has a total of 19 CDM projects, and Guangdong has a total of 17.

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